FF-641

FACT FINDING DISCUSSION AND RECOMMENDATIONS

Between **Saddleback Valley Unified School District** and **California School Employees Association Chapter 616**	Re: Case No. LA-IM-3547-E

Impartial Chair

Bonnie Prouty Castrey
Post Office Box 5007
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District Panel Member

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Association Panel Member

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Hearing Held

July 7, 2010

BACKGROUND

Saddleback Valley Unified School District (District, SVUSD or Employer) and the California School Employees Association Chapter 616 (Association or CSEA), a local affiliate of the California School Employees Association (CSEA), are the parties in this fact finding matter. The classified staff in this bargaining unit are members of CSEA.

The parties engaged in nine negotiation sessions from October 15, 2009 to December 17, 2009. When agreement was not reached, CSEA filed with PERB for impasse on December 21, 2009 and the District responded on December 31, 2009. The parties met with the State Mediator on four occasions from February 18, 2010 to May 13, 2010. The mediator certified the parties to fact finding on June 3, 2010. Subsequently, the District emailed a final offer to the CSEA on June 25, 2010 with a salary decrease of 7.39%, which represented an increase of 2.39% from the original proposed 5% as the parties did not reach agreement for any reductions in the 2009-2010 School Year/Fiscal Year. The District's Final Offer made on June 25, 2010 is summarized under Issues for Fact Finding in the District's Facts Binder and is stated in full on pages 200-206 in the District's Binder and is hereby incorporated by reference.

The issues before this Panel are Inability to Pay, Salary, Health and Welfare, Early Retirement Plan, Reclassification Funding, Contingency Language for increase in BRL, Reduction of the Work Year with a corresponding pay reduction, Term, and Custodial

Relief Board.

The District selected John D. Gray, Director of Schools Services of California as the District Panel Member and the Association selected A. Alan Aldrich Senior Labor Relations Representative CSEA to be their Panel Member. The Panel Members then selected Bonnie Prouty Castrey as the Impartial Chair and so notified PERB.

The Panel met in conference and then held a hearing with the parties on July 7, 2010. Both parties presented their documentation and facts regarding the issues before the Panel. The Panel Members then attempted to help the parties to reach a mediated settlement in Fact Finding. When that effort was not fruitful, the Members studied both parties submissions thoroughly, the Panel Members appointed by the District and the Association submitted closing summations of the parties respective positions and the Chair drafted this Report and Recommendations.

In this matter, the Panel is guided by the California Government Code Section 3548.2 of the EERA which states in pertinent part:

> In arriving at their findings and recommendation, the Fact Finders shall consider, weigh, and be guided by all the following criteria:
>
> 1. State and federal laws that are applicable to the employer.
>
> 2. Stipulations of the parties.
>
> 3. The interests and welfare of the public and the financial ability of the public school employer.
>
> 4. Comparison of the wages, hours, and conditions of employment of the employers involved in the fact finding proceeding with the wages, hours, and conditions of employment of other employees performing similar services and with other employees

generally in public school employment in comparable communities.

5. The consumer price index for goods and services, commonly known as the cost of living.

6. The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays, and other excused time, insurance and pensions, medical and hospitalization benefits; the continuity and stability of employment and all other benefits received.

7. Any other facts, not confined to those specified in paragraphs (1) to (6), inclusive, which are normally or traditionally taken into consideration in making the findings and recommendations."

ADDITIONAL PERTINENT STATE LAWS

Government Code Section 3547.5

(a) Before a public school employer enters into a written agreement with an exclusive representative covering matters within the scope of representation, the major provisions of the agreement, including, but not limited to, the costs that would be incurred by the public school employer under the agreement for the current and subsequent fiscal years, shall be disclosed at a public meeting of the public school employer in a format established for this purpose by the Superintendent of Public Instruction.

(b) The superintendent of the school district and the chief business official shall certify in writing that the costs incurred by the school district under the agreement can be met by the district during the term of the agreement. This certification shall be prepared in a format similar to that of the reports required pursuant to Sections 42130 and 42131 of the Education Code and shall itemize any budget revision necessary to meet the costs of the agreement each year of its term.

(c) If a school district does not adopt all of the revisions to its budget needed in the current fiscal year to meet the costs of the collective bargaining agreement, the county superintendent of schools shall issue a qualified or negative certification for the district on the next interim report pursuant to Section 42131 of the Education Code.

STIPULATIONS OF SVUSD AND CSEA

1. The Saddleback Valley Unified School District is a public school employer within the meaning of Section 3540.1(j) of the Educational Employment Relations Act.

2. The California School Employees Association is a recognized employee organization within the meaning of Section 3540.1(I) of the Educational Employment Relations

Act and has been duly recognized as the representative of the classified non-management bargaining unit of the Saddleback Valley Unified School District.

3. The parties to this factfinding have complied with the public notice provisions of the Government Code section 3547 (EERA, "Sunshining" requirement)

4. The parties have complied with the Educational Employment Relations Act with regard to the selection of the Factfinding Panel.

5. The parties have complied with all the requirements for selection of the factfinding panel and have met or waived the statutory time limitations applicable to this proceeding.

6. The contract issues which are appropriately before the Factfinding Panel are as follows, all other matters were agreed upon by the parties during the course of the negotiations:

   Article IV Pay Practices
   Article V Work Hours, Overtime, Premium Pay
   Article VI Non-Salary Benefits
   Article XIX Term
   Memorandums of Understanding

7. CSEA filed a Declaration of Impasse with PERB in this matter on December 21, 2009. The District filed a response on December 31, 2009. PERB determined the existence of an impasse on January 4, 2010.

   On May 27, 2010, mediator Don Raczka certified the dispute for Fact-Finding. PERB acknowledged the certification and directed the parties regarding Fact-Finding on June 3, 2010.

   The parties notified PERB that the panel member for SVUSD would be John Gray and panel member for CSEA would be Alan Aldrich.

   The parties have mutually agreed to have Ms. Bonnie Castrey serve as panel chairperson and will be jointly responsible for her fees.

   No timelines are waived, except for the date for commencement of the hearing on July 7.

COMPARISON DISTRICTS

The District used the comparison districts of unified districts serving K-12 students in Orange County that are funded similarly by the State with a base revenue limit (BRL) and have categorical funds as well. They also included two unified districts which migrate in and out of basic aid status. The District also stated, at the hearing, that these are Districts which the parties have used for comparison for twenty years.

They also point out that the members of the classified bargaining unit live within the SVUSD or districts which are contiguous to SVUSD. Furthermore, the District supports its selection "In order to remain competitive in the hiring and retention of classified employees, the District's goal has been to maintain classified salaries at or above the average salary of the comparison districts based on negotiated benchmark positions within each classification" (DX pg 5). Those unified districts are: Capistrano, Garden Grove, Irvine, Newport Mesa, Orange, Placentia-Yorba Linda, Santa Ana and Tustin.

CSEA, used four of the same comparison unified districts, Orange, Placentia-Yorba Linda, Irvine and Tustin, but did not include Capistrano, Newport Mesa, Santa Ana and Garden Grove. In addition CSEA compared their bargaining unit to districts which had already settled their contracts. Those include elementary districts in Orange County: Savanna, Cypress, Ocean View, Huntington Beach, Centralia, Fountain Valley and Westminster;

unified districts: Los Alamitos and Brea-Olinda and Santa Ana Community College District and Santiago Charter school. They used all these districts to specifically demonstrate the depth of the District's proposed wage decreases as compared to all the other districts negotiated decreases for classified bargaining units.

The Chair will use the unified comparison districts which the District stated the parties have used for many years for the comparisons but will also discuss the depth of the proposed decreases below.

The following is a discussion of the outstanding issues with recommendations.

ISSUES

INABILITY TO PAY

DISCUSSION AND FINDING

The first issue is the question of inability to pay.

When a district asserts inability to pay, they have the burden of proving that they cannot afford to continue paying at the level they are and/or that they cannot afford to negotiate increases in compensation.

State law requires that school districts must maintain a positive ending balance in the current year and two successive school years. In other words, the budget for fiscal year/school year (FY) 2009-2010, which commenced July 1, 2009 and ends June 30, 2010, must have a positive ending balance and a minimum three percent reserve (3%). In addition, FY 2010-2011 and FY 2011-2012 must also be able to show a positive ending balance. In this matter, the since FY 2009-2010 is already history, the Panel will also have to consider 2012-2013.

Schools in California are dependent on The State of California for their revenue. The State is and has been in fiscal "meltdown" for several years since at least 2007. Some economists have described California's budget as being in "free fall". As a result of the State budget shortfall due to decreased sales tax, income tax, and other revenues, the State has unceremoniously cut school districts' unrestricted and categorical (restricted) funding by literally billions of dollars. For this District this amounts to more than a twenty percent (20%) decrease in unrestricted funding and about twenty percent (20%) in restricted funding. As the Association points out, the District never had the funds from the State. Had the State not cut its unrestricted funding, also referred to as Base Revenue Limit (BRL), SVUSD would have received in the 2009-2010 FY, $6,376.00 for each student attending class each day (Average Daily Attendance or ADA). With the State decreasing its funding of the BRL, the District received only $4,952.00, a difference of $1,423.00 equal to 22.3%. In FY 2010-2011, the SVUSD should receive $6,350.00, however, according to current State budget projections, the State will only fund the BRL at $4,940.00 per ADA, which represents a $1,410.00 deficit, equal to 22.2%. So, for every one dollar this District should receive for each student, it is only receiving about 78 cents! (District Facts [DF] Inability to Pay tabs 13-14).

The Association correctly maintains that the actual percent change is negative 12.10% for 2009-2010 because the BRL was not funded. (DF tab 14, pg 84).

There is no question that these are huge losses in unrestricted revenues. The District has spent down its reserves and is deficit spending. Absent major budget modifications, they project such deficit spending in the amount of twenty four and a half million in fiscal year 2009-2010 and growing to nearly thirty three million in FY 2011-2012 and over thirty five million in FY 2011-2012 (DF tab 16, pg 86; tab 17, pgs 87-90).

Further, the District asserts that they have been spending down their reserves and that while they show a positive ending balance in FY 2009-2010 of just over ten million dollars, unless they make substantial additional cuts, including cuts in this bargaining unit, their ending balance in the two successive years, will exceed a negative twenty two and a half million in FY 2010-2011 and a negative nearly fifty eight million in FY 2011-2012 (DF tab 17, pg 87).

The District self qualified their budget and has been assigned a Fiscal Advisor by the County of Orange, Department of Education. They submitted three qualified budgets in 2009-2010 and without concessions in this unit will continue to have qualified budgets. Settlements have been reached with other District employees and have included major concessions.

In the 2009-2010 school year, which is now completed, the certificated unit (teachers) and management each took 3 furlough days and the pupil/personnel unit (psychologists, speech pathologists and counselors) took 4 furlough days. These unpaid days taken by the employees in those units added significant dollars to the District's 2009-2010 budget year, particularly impacting the positive ending balance. Significantly, those earlier cuts provided those units of employees the ability to spread this horrific concessionary pain over three school years rather than the two years we are dealing with in this fact finding.

As stated above, the District, by law, must show a positive ending balance and a district this size should have at least a 3% reserve for fiscal uncertainty in the ending balance. Hence, going forward three years through 2012-2013, the District must show that the ending balances in 2010-2011, 2011-2012 and 2012-2013 meet that 3% reserve for economic uncertainty.

Finally, under State law, the Education Code at section 3547.5 provides that the superintendent of the district and the chief business official must sign that a collective bargaining agreement can be implemented and is affordable for the term of that agreement. The District asserts that they cannot continue to afford to pay the total compensation at the level in the current Collective Bargaining Agreement (CBA) and therefore they cannot certify the continuation of the terms of this CBA and meet the requirements of the law.

The Association, on the other hand argues that the District is proposing that this bargaining unit agree to decreases of 14.7%, which are more than three times those of similar bargaining units in their comparison districts. The average concessions, of all districts settled in Orange County for 2010-2011 are 3.5% with a range of 2.0% to 6.0%. For unified districts which have settled, the average is 4.23% with a range of 3.0% to 6.0%.(AF pg 4).

They also point out that there is very likely to be more federal stimulus money provided to the District in the coming months. The House of Representatives Resolution (HR 1586) has passed both houses of Congress and been signed into law by the President. Following the application process and meeting the criteria established in the law to receive these stimulus funds, California and school districts throughout the State will receive one time monies.

Additionally, the CSEA maintains that the State budget which has not been agreed upon and adopted for 2010-2011, means that legislation from the third special session, (AB 4X 3) of the California legislature remains in effect, until it is changed by the adoption of a new budget and therefore, the District will receive the same funded BRL in 2010-2011 as it received in 2009-2010 (AF tab 5).

CSEA does not argue that no concessions are necessary, but argues vehemently that the District is asking for substantially more concessions than are necessary from this unit and more than its share of concessions as compared to the other employees in the District.

From the Chair's study of the budget documents, it is a fact that the District is spending down its reserves and is in deficit spending, which is not sustainable, as it will lead to insolvency. To make the District's budgetary woes even worse, they are experiencing a decline in enrollment and ADA, which exacerbates the funding issues. Since the 2004-2005 school year the decline in ADA has been from 32,714 to 30,905, a total of 1809 ADA which equates to 5.53% (DF tab 12) As stated above, districts are funded based on the number of students actually attending school. Therefore, the loss of ADA combined with the lack of a fully funded BRL severely hampers the District's ability to pay.

Based on the foregoing and taking into consideration both parties facts and arguments, the Chair finds that the District has met its heavy burden of proof and that it has shown that it does have an inability to pay this bargaining unit at the current total compensation in the CBA. Moreover, it has shown that substantial concessions spread over this year and next year are crucial in order to remain solvent.

The next question is how to address this critical matter without totally devastating the bargaining unit members ability to live and the parties ability to effectively maintain support services in order to deliver the educational programs of the

District to students.

SALARY

Decreases in actual salary can be accomplished in several ways including decreases across the board to the salary schedule, delaying or freezing step and longevity increases and taking furlough days.

Overall this District spends 92% of budget on all staff. This is not surprising as education is a people intense business. That means when cuts are necessary to balance the budget that the majority of cuts come from staff concessions.

For all employees, 1% costs $1,806,723 or nearly two million dollars. For this bargaining unit 1% is equal to $309,665 (DF tab 1). The cost of step and longevity increases in 2009-2010 was $594,548 which is equivalent to 1.92% salary for all employees. And for this bargaining unit, the cost of a furlough day is $142,167 or 0.44% (DF tab 9).

In this fiscal/school year, commencing July 1, 2010, and continuing next year, through June 30, 2012 the management unit is sustaining a 3.38% salary schedule decrease, the pupil-personnel unit sustains a 3.31% salary schedule decrease and teachers a 2.85% decrease. In addition they have to take furlough days in both years. Teachers and pupil personnel, are taking 9 days each year and management is taking 15 days each year. As stated above, those three units all took furlough days last school year as well (DF tab 10, pgs 45-46). That is important to note as the earlier cuts are made, the greater the dollar savings in future years. In other words, a dollar that should be and is cut this year, is worth more in the following year.

HEALTH AND WELFARE

Health and welfare benefits remain a problem in terms of the increasing costs of health care premiums. The District points out that since the 2000-2001 school year, health benefits costs have risen 65.5% from $8,643 per employee to $14,305 per employee which has necessitated the District negotiating with employee units to pay a portion of these ongoing increasing costs in order for the District to maintain the necessary reserve for economic uncertainty.

For bargaining unit employees, in this unit, who work thirty or more hours, the district currently pays 100% of the annual contribution for the HMO for the employee and the employee may purchase coverage for dependents. The amount paid by the District for employees who work less than thirty hours is pro-rated: 20-24.9 hours/week the District pays 50% and the employee pays 50%; 25-29.9 hours/week the District pays 75% and the employee pays 25%. Employees who work less than 20 hours are not eligible for health care coverage (DF Tab 7; Tab 8).

As of September 1, 2010 the teachers unit, pupil personnel unit and management unit have agreed to increased benefit contributions for HMO and PPO premiums and to coverage changes (DF Tab 10 pg 45-46).

RECLASSIFICATION FUNDING

The parties have agreed to set aside the funding of reclassifications at $50,000 each year in order to compare benchmarks within classifications with the comparison districts on a periodic basis and to make appropriate classification adjustments. (See Article XVIII of the CBA appended to the Districts' Fact Binder.)

CUSTODIAL RELIEF BOARD

The Association has proposed a Custodial Relief Board wherein ten custodians, who have been laid off would be called back for relief to back fill for custodians rather than using substitutes.

EARLY RETIREMENT PLAN

The Association proposes an early retirement plan and to not back fill those positions in order to save salary and benefits monies into the future.

LAYOFFS

Under reason nine in the District's Inability to Pay justification they maintain in pertinent part:

> In order to ease the impact of budget reductions on employees, the District has made the following concessions to offset the reductions of salaries and benefits. In the fall, the District agreed to provide all employee groups their portion of $830,406 from cuts to the Class-Size Reduction Program. In the spring, the District agreed to put $2.2 million from Fund 67 toward program reductions and layoffs as a result, the $33 million deficit was cut to $27.7 million ($22.9 million for employees' concessions and $4.8 million for program cuts/layoffs)(DF Tab 19 pg 93)

The District has laid off about 97 classified employees which amounts to $3,370,000 within the total of $4.8 million cited above for program cuts/layoffs.

RECOMMENDATIONS

Considering that the 2009-2010 fiscal year is completed, in order to provide for planning for both the District and the CSEA membership, the Chair recommends the following two year agreement to be in an MOU through June 30, 2012. This expiration of the MOU and all concessions also coincides with the other units expiration of concessions.

2010-2011

Furlough Days

Reduce this work year by ten to fifteen days based on number of months the employee works, with commensurate loss of salary, but not loss of vacation, sick leave, or other benefits. In other words, for benefit purposes the employee should be considered working their full work year schedule.

The Chair notes that as the other units have already taken furlough days in 2009-2010 amounting to a total in those two years of 12 to 18 days total (12 for teachers, 13 for pupil personnel and 18 for management) (DF Tab 10).

Health and Welfare

Change the contribution level for thirty or more hour employees from 100% paid by the District to 80% paid by the District and 20% by the employee.

Laid-off Employees

Acknowledge this bargaining unit for the monies saved by laying off 97 FTE's in this unit in 2009-2010. While the District reduced the overall dollar amount and percentage of the additional concessions, as noted above, the remaining employees have an ongoing higher ratio of students to employees and increased work load. Therefore, the Chair finds that this ongoing concession should be acknowledged with a minimum of a percent each year.

As noted above, it is timely that HR 1586 has been signed into law. This may provide some relief to the District which may be used to ameliorate the layoffs. If and when the District receives monies, the parties should sit down and discuss the potential impact on this unit.

Salary

Freeze step and longevity increases.

Salary schedule reduction 2.80%. While other employees sustained between 2.85% and $3.38%, these employees are on lesser payscales and therefore the Chair finds a somewhat lesser percentage decrease to be more fair to them.

Reclassification Fund

Delete the contract language in Article XVIII for the reclassification and use the $50,000 in this fund to offset the total dollars/percent of fair share for this bargaining unit. As this was not used in 2009-2010 and is recommended to be deleted, this amounts to a savings to the District of $150,000 each of the years.

Early Retirement

The parties should agree to explore jointly the numbers necessary to implement an effective, cost saving early retirement for the 2010-2011 school year. If it is possible to save money by only backfilling critical positions, a plan shall be implemented no later than February 1, 2011, in order to notify bargaining unit employees of this option and terms.

2011-2012

Continue above reductions, except the early retirement.

Reopener/Restoration Language

For the 2010-2011 fiscal year, if the funded Base Revenue Limit (BRL) per Average Daily Attendance (ADA) increases or decreases by twenty-five dollars ($25.00) or more from the Governor's January 2010 Budget Proposal, the parties shall have the option to reopen on salary and work year. For the 2011-2012 fiscal year, if the funded Base Revenue Limit (BRL) per Average Daily Attendance (ADA) increases or decreases by twenty-five dollars ($25.00) or more from the 2010-2011 State adopted budget, the parties shall have the option to reopen on salary and work year.

If the funded BRL per ADA for the Saddleback Valley Unified School District per the above budget, increases by twenty-five dollars ($25.00) or more, the Association shall have the right to re-open on salary and/or work year.

If the funded BRL per ADA for the Saddleback Valley Unified

School District per the above budget, decreases by twenty-five dollars ($25.00) or more, the District shall have the right to re-open on salary and/or work year. For the purposes of the example below, the funded 2010-2011 BRL per ADA for the Saddleback Valley Unified School District per the Governor's January 2010 Budget Proposal being used is $4,984.00.

Example:

$4984.00 + $25.00 = $5.009.00 (or higher) the Association has right to re-open.

$4984.00 - $25.00 = $4959.00 (or lower) the District has right to re-open.

The Panel Members representing the District and Association have met in Executive Session by conference calls on August 11 and 12, 2010. Based on the above Recommendations of the Chair they concur or dissent as follows:

For the District:

___X___ Concur

________ Dissent

________ Concur in part

________ Dissent in part

Report attached ________

John D. Gray

John D. Gray

District Panel Member

For the Association:

________ Concur

________ Dissent

___X___ Concur in part

___X___ Dissent in part

Report attached ___X___

A. Alan Aldrich

Association Panel Member

Issued with attachment on August 13, 2010 by

Bonnie Prouty Castrey

Bonnie Prouty Castrey,

Panel Chair

Association Panel Member: concurrence in part, dissenting on the whole.

The Fact-finder is to be commended for concluding that the implications of HR 1586 passed by the Congress on August 10, 2010 should be included within the findings of this report. It is completely appropriate; given the provisions of Educational Employment Relations Act section 3548.2(b)(1) to consider the impact of Federal legislation upon the bargaining issues before the parties.

The Central Importance of HR 1586

After months of uncertainly, the Federal government's passage of HR 1586 is certain to provide a serious infusion of general fund cash to school districts throughout California. While we applaud the Fact-finders inclusion of the legislation in the report, we respectfully assert here that there is nothing speculative or uncertain about the implications of the bill. We know:
-HR 1586 provides $10 billion nationwide and $1.2 billion of relief for California public schools. Given the Saddleback Valley Unified School District's status as a large district this translates into significant unanticipated general fund revenue for the employer;
-The timelines for implementation are likewise set, 30 days from the date of the legislation for application, funds delivered to districts within 45 days of application;
-The State cannot reduce its education funding mandates to receive the HR 1586 funds.

The legislation is substantially similar in scope of delivery of funds to the previous Federal stimulus bills for fiscal 2008/2009 and 2009/2010. The Association has continuously asserted as a central concern in these negotiations our view that the significant layoffs of classified unit members need to be addressed through reemployment. We encourage the District Management and Honorable Board Members to utilize the implications of HR 1586 and work with the Association to promote reemployment for classified unit members facing imminent layoff.

The Fact-finder Agreed With the Association That the Actual Loss of Base-Revenue Limit Dollars Was 12% Not the 20-22% Argued by District Representatives

We likewise commend the Fact-finder for recognizing that district actual loss in BRL amount was 12%, not the 20-22% argued by the employer. The Association utilized documents from School Services of California to inject common sense into the discussion, which is to say, a district cannot "lose" funding that it never had in the first place. While we commend the Fact-finder for acknowledging that the district's loss of revenue was far less than argued by the district, it is the Fact-finder's recommendations that are inconsistent with her conclusions on funding loss that is the starting point for the Association dissent.

While Finding the District's Actual Revenue loss was 12% the Fact-Finder Recommends and Supports Cuts to the Classified Bargaining Unit of Some 23%

Among the numerous undisputed facts in the hearing was the fact that the classified bargaining unit was subject to layoffs at the close of fiscal 2009/2010 that amounted to a total reduction of classified unit labor costs of some $3.371,588. This factual data was undisputed and incorporated into the record as Association Attachment 3 entitled "Potential Budget Reductions for 2010/2011." It is also undisputed that the cost of 1% in classified unit labor costs is $309,665- the actual dollar value of the layoff that is in process in fiscal 2010/2011 is equal to a 10.9% reduction in wages and benefits. [Inexplicably, the Fact-finder asserts the layoffs occurred in fiscal 2009/2010, when everyone, including the Board members who had to make the painful decision to layoff classified employees knows, the layoff is eminent and real for those employees now, well into fiscal 2010/2011].
Standing alone, the magnitude of the layoff is some two and one half times the average value of labor cost concessions negotiated for classified units throughout Orange County.

While the Fact-finder is to be commended for determining that the district's actual loss of BRL revenue was at 12% the recommendations that she makes to cut classified wages and benefits in addition to the layoffs already implemented brings the total reduction of classified bargaining unit labor costs to some 23%- nearly twice the amount the Fact-finder asserts the district lost in general revenue. There is no explanation in the Fact-finders report for this disconnect, just as there is no explanation in the report for wage and benefit concessions recommendations that alone are some three times the average settlement in Orange County.

To reach these regrettable conclusions requires the Fact-finder to misstate and/or ignore undisputed facts in the record.

The Fact-finder Credits the Association and Classified Bargaining Unit Members with Nine Cents on the Dollar for the Value of Classified Bargaining Unit Layoffs

It is undisputed that the district has laid off some 93 employees that will save the employer some $3,371,588 in fiscal 2010/2011. The total dollar amount here is not in dispute and provides dollar-for-dollar savings to the district's budget. Remarkably, rather than applying the actual savings generated by the layoff to calculations in the report, the Fact-finder creates an arbitrary and unscientific standard that the Association will be credited with 1% per year for the layoffs. As noted earlier, the total dollar value in wage and benefit terms of the classified layoff presently effective is 10.9%. Therefore , the Fact-finder credited CSEA and the laid off bargaining unit members for 9 cents on every dollar saved as a result of classified layoffs. Approximately 1/11th of the actual savings the district has realized

The Fact-finder Failed to Include in the Report or Even Discuss a Plainly Important Piece of Evidence in the Fact-finding Record- the District's Own Calculations on What CSEA's Share of the District Shortfall Is at 17.59%

Included in both the district and CSEA's Fact-finding presentations is a document that the employer provided to its Unions in the fall of 2009. The document describes the magnitude of the district's budget shortfall and the district's view on the relative savings that was required by each employee group. This document was included in the district presentation on page 45 and in CSEA's presentation as Attachment 4. The document reads as follows:

Group: Percent

SVEA	71.01%	$18,462,600
CSEA	17.59%	$4,573,400
SVPSA	3.29%	$855,400
SVMTA	7.29%	$1,895,400
Non-bargaining	0.82%	$213,000
total	100.00	$26,000,000

This document sets forth the district's position that the CSEA bargaining unit share of the total budget is 17.59% and that CSEA's share of the $26 million dollar shortfall is $4,573,400. This document has consistently represented the district's position that CSEA was responsible for 17.59% of the district's shortfall.

We note Fact-finder errors in her findings that the amount the district sought from all employees was $22.9 million- when the actual consistent number was $26 million. She then argues the classified layoffs of some $3.37 million were in addition to the $22.9 million. This argument is inconsistent with the data set forth in the exhibit above.

The Association continues to assert that the layoffs of the classified bargaining unit members are over and beyond the actual reduction targets that the district needed from CSEA to meet its 17.59% share of the district shortfall. That argument needs not be repeated here, and; we would readily accept that it is understandable district bargaining approach to move to layoffs if an agreement is not reached with the union to reduce the district's labor costs. What is a more interesting read is when the 17.59% percent figure of classified bargaining unit labor cost reductions [CSEA share] is viewed in the context of what the Fact-finders proposed recommendations are, in conjunction with the layoffs that have already occurred:

Layoffs:	$3,371,588
10-15 furlough Days –average 12 days at $142,167	$1,706,004
Step and Longevity Freeze	$594,556
2.8% Salary Reduction	$867,062

80/20 Health and Welfare Coverage [2.47%]	$764,873
Credit for Deletion Reclassification Dollars	- [$150,000]
Total Classified Bargaining Unit Labor Cost Reductions Through Layoff and Fact-Finder Recommendations	**$7,154,083**

The total dollar value of the recommended concessions from the Fact-Finder plus the layoffs already implemented is $7,154,083 which is **17.59%** of **$40,671,307.** Plainly said, the dollar value of the proposed concessions and layoffs correlates to a budget shortfall of $40,671,307.

At no time has the district represented that it is confronted with a budget shortfall of $40.7 million – and yet the Fact-finders proposed recommendation and current layoffs are equivalent to a 17.59% share of a $40.7 million shortfall. The Fact-finder has remarkably overstated CSEA's share of the total district shortfall, and overstated it relative to an asserted $33 million or $27.7 million shortfall; which are the numbers that the district has consistently asserted are the outer limits of its budget shortfall.

<u>The Fact-finders Recommendations Are Far in Excess of What the Parties Need Agreement on to Fully Meet the District's Financial Interests.</u>

As discussed above, the Fact-finder's recommendations are the product of failing to give the Association dollar for dollar credit for the value of the classified layoffs and of ignoring perhaps the most important piece of evidence in the hearing record- that all parties agree that the classified unit should bear a 17.59% share of the total budget shortfall. The resulting recommendations are plainly unfair to the classified unit on face.

Rightly, the Governing Board needs agreements with it two largest bargaining units to produce stability in its budgetary process. For context, the certificated unit which the employer has an agreement in place, was subject to 113 layoffs of which, all but six were rescinded. Contrast this reality to the fact that some 93 classified unit members are currently laid off. The Fact-finders recommendations add the following indignities to the classified unit:

-The classified unit members will be required to take more furlough days than the teachers;
-the classified employees will be subject to a 2 year step and longevity freeze when the teachers are not;
-the classified unit members will be subject to much higher payroll deductions for their Health and Welfare coverage than the teachers.

The Fact-finders recommendations subject the lowest paid district employee to the most severe wage and benefit cut-backs in addition to the layoffs they currently endure.

The hard working women and men who make up the classified bargaining unit for the Saddleback Valley Unified School District deserve better. The Association Panel member respectfully recommends that the management and CSEA teams meet promptly to reach agreement on terms and conditions that meet the district's true and actual financial needs while respecting the interests of the classified employees.

Respectfully:

A. Alan Aldrich, Association Panel Member

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